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DEC 12 1956

MEMORANDUM FOR: Director of Central Intelligence

SUBJECT: IG Survey of Commercial Staff, DD/S - July 1955

1. This memorandum is for information only.
2. The comprehensive report of the Inspector General has been studied with great care, and action is being taken to implement the recommendations therein, as described below. A new chief of the Commercial Staff has been appointed who has a background of overseas and headquarters experience with the Agency. The Staff is developing a vigorous and flexible approach to its relations with the operating divisions and will orient its efforts to ascertaining and fulfilling operational needs. Personnel requirements will be met largely by recruitment and rotation within the Agency, so as to have a versatile group which is aware of and able to serve the needs of the various Agency components.
3. A regulation defining the duties and responsibilities of the Commercial Staff is being coordinated in the Agency and will be issued shortly. It provides that the unit will act in a staff capacity to advise Agency components on the commercial and business aspects of their operations. Where specifically so directed, Commercial Staff will assume the actual management of an Agency commercial activity.
4. The possible consolidation or linkage of Commercial Staff with the Project Administrative Planning Staff is being given careful consideration, but no action is desirable on this until the new administration of the Commercial Staff has had more time to deal with immediate problems there. It is not believed feasible to incorporate any part of the General Counsel's office in the proposed consolidated staff. The creation of a Proprietary Projects Board to act as an Agency Board of Directors for proprietaries has been objected to on the ground that it would disrupt Agency command channels and be unwieldy in operation. Other steps referred to in this memorandum may provide the needed Agency direction of commercial activities.

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5. Outside commercial support facilities are being expanded. An office to render business services to Agency proprietary and other projects has recently been established in [REDACTED] under project [REDACTED]. The other such facility was set up previously in [REDACTED] under [REDACTED]. Judicious use will also be made of cleared consultants and business experts to supplement the resources of the Commercial Staff.

6. Planning and follow-up on the commercial and business aspects of projects has been considerably improved. However, further advances must be made in this field. A closer relationship between the Project Administrative Planning Staff and the Commercial Staff, which has the facilities for commercial planning and review, may be desirable. Study of this matter continues. Considerable progress has been made in simplifying and bringing up to date administrative plans.

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7. A committee appointed by me is preparing its final report and recommendations as to proper techniques to achieve effective and plausible commercial cover and protect the Agency's investment therein. More precise, authoritative and helpful Agency policies on commercial cover should evolve as a result of this study and our practical experience in running such projects. As they become generally accepted, such policies should be incorporated in Agency regulations and procedures. Confidential Funds Regulation Section 9.4, providing for Administrative Plans in certain types of projects, has been completely revised and is being coordinated with the various Agency components. The new regulation [REDACTED] would turn over to the Deputy Director concerned the preparation of the project Administrative Plan, which would then be approved by the DD/S. In the case of proprietary, operational investment and large [REDACTED] projects, Administrative Plans would be mandatory. They would also be prepared for other projects where circumstances require handling outside the body of Agency regulations. The various categories of projects involving proprietary, commercial or investment activities are defined in this regulation and approval procedures are set forth.

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8. Various detailed recommendations in the Inspector General's report are now in effect. For example, Proprietary Accounts Branch, Finance Division, has sole responsibility for reporting on the monetary status of proprietary projects. Certain other recommendations require action or decision by operational units. The Central Cover Branch and other DD/P components are cooperating in assessing the operational potential of commercial projects and determining the correct tempo of their use. Careful consideration indicates that project [REDACTED] should not be liquidated, since it now involves a self-sustaining business which is a versatile and inexpensive standby cover mechanism. Several

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Area Division plans for using the principal agent of this project under his [redacted] cover. FE Division and I have concluded that project [redacted] (now [redacted]) should be continued in order to provide logistical support in its area of operation. 25X1A2d2

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9. Much of the Inspector General's report concerns over-all Agency planning and conduct of commercial type operations and is not limited to the functions and responsibilities of Commercial Staff or DD/S. This is as it should be, since the problems are broad in scope and can be solved only by joint action. I am giving high priority to this subject, in the conviction that covert commercial and economic activity are becoming increasingly vital and necessary.

19/
L. K. WHITE
Deputy Director
(Support)

CM:RGH:rdh
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